COMMONWEALTH of VIRGINIA

Department of Medical Assistance Services

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December 22, 2020

MEMORANDUM

TO: The Honorable Janet D. Howell
Chair, Senate Finance Committee

The Honorable Luke E. Torian
Chair, House Appropriations Committee

The Honorable Mark D. Sickles
Vice Chair, House Appropriations Committee

FROM: Karen Kimsey
Director, Virginia Department of Medical Assistance Services

SUBJECT: Medicaid Reimbursement of School Health Services Outside of a Student's Individualized Education Plan

This report is submitted in compliance with the 2020 Virginia Acts of the Assembly – HB30 (Chapter 1289), Item 313. GGGGG, which states:

"The Department of Medical Assistance Services shall review reimbursement of services covered under the state's Medicaid program provided by local education agencies to Medicaid eligible children and determine what services can be covered outside of a student's Individualized Education Plan consistent with federal rules and regulations. The department shall evaluate options to consider to allow school divisions to draw down additional federal resources in supporting the needs of school children. The department shall report its findings and recommendations to the Chairs of the House Appropriations and Senate Finance and Appropriations Committees by December 15, 2020.""

Should you have any questions or need additional information, please feel free to contact me at (804) 786-8099.
KK
Enclosure

Pc: The Honorable Daniel Carey, M.D., Secretary of Health and Human Resources

Medicaid Reimbursement of School Health Services Outside of a Student's Individualized Education Plan

A Report to the Virginia General Assembly

December 15, 2020

Report Mandate:

The 2020 Appropriations Act Item 313.GGGGG states, "The Department of Medical Assistance Services shall review reimbursement of services covered under the state's Medicaid program provided by local education agencies to Medicaid eligible children and determine what services can be covered outside of a student's Individualized Education Plan consistent with federal rules and regulations. The department shall evaluate options to consider to allow school divisions to draw down additional federal resources in supporting the needs of school children. The department shall report its findings and recommendations to the Chairs of the House Appropriations and Senate Finance and Appropriations Committees by December 15, 2020."

I. Executive Summary

In drafting this report DMAS worked with the Centers for Medicare and Medicaid Services (CMS), the Department of Education (DOE) and consulted with other state Medicaid programs to review their approaches for Medicaid school service coverage and for maximizing the total of federal financial participation (FFP) being distributed to local school districts. Federal law requires schools to provide a range of healthcare and related services deemed necessary to support a student's participation in public education. Local school districts pay the majority of the costs related to these services. As part of their collaboration on this report, DOE provided a list of the most common services that local schools are providing pursuant to federal, state and local requirements outside of the Individualized Education Plan (IEP) process. Expanding Medicaid coverage of these non-IEP services would allow school divisions to receive additional federal resources to support the needs of schoolchildren. There are two distinct reimbursement models for schools providing these services – cost-based reimbursement (currently in use for school services), and payment of schools as fee-for-service providers. While cost-based reimbursement requires additional, federally required documentation and record keeping on the part of school staff, it nets local school districts approximately twice the amount of Medicaid dollars than the fee-for-service model would provide.

Current Services Coverage and School Cost-Based Reimbursement

The DMAS Medicaid School-Based Services program currently reimburses schools on a cost-basis for providing a limited range of covered healthcare

About DMAS and Medicaid

DMAS's mission is to improve the health and well-being of Virginians through access to high-quality health care coverage.

DMAS administers Virginia's Medicaid and CHIP programs for more than 1.6 million Virginians. Members have access to primary and specialty health services, inpatient care, behavioral health as well as addiction and recovery treatment services. In addition, Medicaid long-term services and supports enable thousands of Virginians to remain in their homes or to access residential and nursing home care.

Medicaid members historically have included children, pregnant women, parents and caretakers, older adults, and individuals with disabilities. In 2019, Virginia expanded the Medicaid eligibility rules to make health care coverage available to more than 400,000 newly eligible, low-income adults.

Medicaid and CHIP (known in Virginia as Family Access to Medical Insurance Security, or FAMIS) are jointly funded by Virginia and the federal government under Title XIX and Title XXI of the Social Security Act. Virginia generally receives a dollar-for-dollar federal spending match in the Medicaid program. Medicaid expansion qualifies the Commonwealth for a federal funding match of no less than 90 percent for newly eligible adults, generating cost savings that benefit the overall state budget.

services. Coverage for the following health and related services is presently available for Medicaid member students, based upon documentation in the student's IEP that the services are medically necessary. While participation is voluntary, the vast majority of Virginia school districts participate in the current cost-based program. The list of services covered is as follows:

- Physician services
- Skilled nursing
- Personal care
- Occupational therapy
- Physical therapy
- Speech and language pathology
- Audiology
- Mental health
- Specialized bus transportation

In order to participate in the program, each school district (referred to as a Local Education Agency or LEA) must enroll with DMAS as a billing provider; however, LEAs do not presently receive reimbursement on a fee-for-service basis or through Medicaid managed care. Like nursing facilities, schools receive reimbursement using cost-based claiming.

Cost-based administrative claiming reimburses LEAs for expenses associated with staff time spent assisting Medicaid-eligible children in accessing covered services. This includes staff time spent in identifying and enrolling children who are eligible for Medicaid, scheduling specialized transportation to and from services, and program planning. Cost-based direct service claiming allows LEAs to receive reimbursement for expenses associated with providing direct school health services included in a Medicaid-enrolled student's IEP. These expenses include provider staff compensation, as well as equipment and supplies involved in providing the service. The federal reimbursement rate for both administrative and direct service costs is 50 percent of allowed costs.

The current cost-based reimbursement methodology used by the program allows schools to recoup more than double the amount of dollars than through the fee-for-service reimbursement methodology. For example, total cost-based reimbursement to LEAs for SFY19 was $48,686,718. If SFY19 LEA reimbursement were based solely on DMAS fee-for-service rates, the payment would be $19,950,990.

Services Coverage Outside the IEP

Under federal law, LEAs are required to provide a range of healthcare and related services deemed necessary to support a student's participation in public education. This includes services provided pursuant to an IEP, but also includes services provided to students that do not have an IEP. Under the current cost-based methodology, schools are able to recoup a portion of the costs associated with providing such services to Medicaid-enrolled students with an IEP, however, the costs associated with providing required services to Medicaid students that do not have an IEP is paid locally. Currently, LEAs do not receive federal Medicaid reimbursement for the administrative and direct costs of providing required services for Medicaid-enrolled students when the services are rendered outside of the IEP process, in spite of the fact that such reimbursement is available.

Generally speaking, state Medicaid programs are allowed latitude in setting limits to services and providers covered, however, such limits must be described in the state's plan for medical assistance (state plan), and the plan must be approved by CMS. Virginia's current state plan limits LEA reimbursement to the list of services provided above, when they are included in the student's IEP. Therefore, if Virginia seeks to expand services covered in the school setting, a state plan amendment is required.

Services that Virginia LEAs are currently providing pursuant to federal, state and local requirements *outside* of the IEP process, which may be eligible for cost-based reimbursement, include, but are not limited to:

- School nursing
- Counseling
- Parent Training
- Social Skills Instruction
- Functional Behavior Assessment
- Social/Emotional/Behavioral Health Screening
- Crisis Intervention
- Psychoeducational Evaluation
- Instructional Coaching
- Behavior Intervention
- Operational Behavior Observations

Options to Allow Schools to Receive Additional Federal Funds

Two viable state plan options would allow LEAs to receive additional federal funds for providing health care services to Medicaid-enrolled students:

Cost-Based Reimbursement

The benefits of cost-based methodology are that, unlike the fee-for-service model, the school is reimbursed based on the actual costs of administering the services through their school health programs. Such a methodology is often used when a provider, like a school, is expected to have costs that are greater than would otherwise be covered under fee-for-service based on the circumstances of the provider type. This would provide additional revenue to the LEAs. Currently, school services are "carved out" of managed care, as federal rules require that the state Medicaid agency administer the cost-based claiming and payment methodology. In addition, enrollment in managed care networks as a provider creates significant logistical and administrative hurdles for schools. For smaller school districts, this obstacle could make continued participation with Medicaid untenable if they were required to enroll in managed care networks.

The challenges to this methodology are the administrative resource requirements. The LEAs must maintain comprehensive clinical records to support the reported expenditures, and they must maintain and submit sufficient cost data and service utilization documentation to facilitate an accurate allocation of cost to Medicaid, consistent with federal cost principles. Adequate resources at the state agency level are required to meet the federal requirements for cost-based school reimbursement. Federal audit findings of inappropriate documentation may result in financial retractions to the state.

The majority of states that have expanded reimbursement of school-based services use a cost-based methodology.

Fee-For-Service Reimbursement

Under this approach, reimbursement of services provided by LEA providers would be paid through the DMAS fee-for-service process. The LEA would bill the Medicaid program through standard billing procedures. Reimbursement would be based on established rates and that payment would be final.

Fee-for-service reimbursement is not commonly used for school-based services, because most state Medicaid programs that have expanded their services reimburse on a reconciled cost basis, which tends to afford a greater payment amount. As noted above, fee-for-service reimbursement may not include the school's actual costs of providing the services. DMAS would be required to submit a state plan amendment to authorize this change, as the current state plan explicitly restricts LEAs from providing services outside of those included in an IEP. Schools would be treated as any other fee-for-services provider of Early and Periodic Screening, Diagnostic and Treatment (EPSDT) services for purposes of reimbursement. While billing and administration for schools may be less challenging under this approach, it would net schools far less funding than the current cost-based reimbursement.

Conclusion

DMAS continues to collaborate with DOE and the LEAs to improve the provision of school-based health services to Medicaid-enrolled students. Expanding Medicaid coverage of school health services to include services outside the IEP process would be an efficient method to increase the total funds for schools to pay for the care they are required to provide. Given the relative benefits and drawbacks of available reimbursement options, extending the current cost-based model to new school services would provide additional revenue to the LEAs. Participation in cost-based reimbursement for added services and an expanded population will result in additional administrative workload for participating schools; however, this approach would garner the greatest financial benefit for the schools. Additional administrative costs may be offset through the increased funding received in the cost-based model. Furthermore, the majority of Virginia LEAs participate in cost-based reimbursement under the current program. The LEAs would be expanding systems and processes that are already in place rather than implementing an entirely new system for the expanded services.